



**Testimony of
Lauren Flanagan
Executive Chair, Current Motor Company
& Managing Director, BELLE Capital USA, LP
In Support of
HB 4998, A Bill to Establish a Pilot Project to
Accelerate Entrepreneurship and Innovation by
Establishing Entrepreneurs-In-Residence
Wednesday, September 17, 2014**



Chairman Jansen, Majority Vice Chairman Colbeck, Minority Vice Chairman Young, Members of the committee, Members of the committee, my name is Lauren Flanagan and I am Executive Chair of Current Motor Company and Managing Director of BELLE Capital USA, LP. I am here to speak in support of HB 4998, establishing a pilot project for Entrepreneurs-in-Residence for Michigan government. I want to thank you for the opportunity to share my view on this important issue. I also want to thank Representative Schmidt for his leadership in sponsoring this bill to help entrepreneurs throughout Michigan, and Dell's leadership in offering a prominent platform to advance the needs of emerging companies.

Current Motor is a privately held electric vehicle (EV) development and manufacturing company. Current Motor designs its all-electric Super Scooters (electric motorcycles) and Solar powered charging stations in its Ann Arbor, Michigan headquarters and assembles them in Holt, Michigan, through a strategic partnership with the award winning flex-manufacturer, Dakkota Integrated Systems. Current Motor sells directly to fleets and targets top markets in the Americas, and has begun to export to Brazil. Andra Rush, CEO of the Rush Group (Rush Trucking, Dakkota Integrated Systems, Detroit Manufacturing Systems), Lauren Flanagan, Managing Director BELLE Capital USA, and Erik Kauppi, Founder, are on the Current Motor Board of Directors. Current Motor employs 14 FTEs and expects to add another 5 FTEs in 2015.

Auto legend, Bob Lutz, and I were the first outside investors into Current Motor. We invested because we thought Current Motor was solving an important market problem and that Michigan was a great place to build and scale an electric vehicle company. We were able to bring in other Michigan angel investors, and then obtained matching funding from the Michigan PreSeed Fund/Ann Arbor SPARK. Subsequently my fund, BELLE Capital, led Current Motor's \$2.3 million Series A financing. Current Motor has been capital efficient, getting its product to market on less than \$3 million in investment capital, due in part to the lower cost of operating a manufacturing business in Michigan.

Financing Obstacles, Our #1 Priority

The number one problem facing Michigan-based early stage companies like Current Motor is the lack of sufficient equity capital. While we applaud the efforts of the MEDC, the 21st Century Fund, Invest Michigan, Grow Michigan and other such entities, the total amount of capital under management in the state is far less than that available from any one of the leading venture capital firms on Sand Hill Road in Menlo Park, California.

The period in which investment capital is most urgently needed occurs when an early stage company is pre-revenue and unable to secure traditional financing options or attract venture capital. This is when companies compete to attract angel funding during the highest risk periods where cash flow is king. In order to help bridge this "Valley of Death" for early stage companies, many states have enacted some form of Angel Tax credits to attract angels and/or angel/early stage investment funds. Michigan briefly had an Angel tax credit, which helped many companies attract angel investments, but the tax credit expired in 2011. This is unfortunate as it provided an incentive for more angels to enter the early stage investment market, a rising tide that floats all boats.



For comparison, since the inception in 2005 of Wisconsin's ACT 255 Tax Credit program through 2012, 237 companies have been certified, and the Wisconsin Economic Development Corp (WEDC) has verified \$58.8 million in tax credits based on \$235.2 million in qualified investments. Certified early stage companies have brought in more than half of a billion dollars in additional outside investment and \$113.2 million in grant funding, bringing the total amount of funding generated to more than \$916 million. 1,000s of jobs have been created generating additional tax revenues. Additionally, the WEDC has a number of loans and grants to help emerging companies while Michigan's offerings are more limited.

Due to limited supply, many companies must seek capital outside of Michigan, and face pressures to relocate if they accept it. **Michigan needs to do much more to create a robust angel and venture capital market in order for emerging companies to survive, thrive, and stay in Michigan. EIR advocate(s) in government can be the voice of entrepreneurs and a gateway to fostering cost-effective and collaborative funding solutions.**

Business Development Obstacles, Our #2 Priority

The second most challenging problem for early stage companies like Current Motor is to rapidly attract the attention of potential customers on a limited budget. **While programs like the MEDC's Business Connect are commendable, more needs to be done to match early stage companies with large potential customers, including corporate, state and municipal agencies. Additionally, more needs to be done to help early stage companies like Current Motor export.** Federal export programs don't kick in until early stage companies have been exporting for a year or more, and the state program provides only nominal funding for initial missions, leaving a large funding gap for companies starting to export. **EIR advocate(s) in government can spur innovative new programs to create more growth opportunities for early stage companies, which in turn will create new jobs and increase the state's tax revenues.**

Why an EIR?

The EIR program gives early stage companies a voice and an advocate(s) to state agencies, allowing everyone to work together to solve problems that benefit both the state and emerging companies. **It is essential that the EIRs be true entrepreneurs** who know the challenges emerging companies face firsthand--from taking an idea to making it reality, from recruiting to making payroll, from raising capital to closing sales, and finally from selling their business or taking it public. This is not a job for corporate executives, academics or bureaucrats. There are no replacements for the scars and lessons learned from real world battles. We need a SWAT team of experienced Entrepreneurs to battle the big problems early stage companies in Michigan face.

Mister Chairman and members of the committee, the EIR program is a simple idea that can have a powerful and positive impact on emerging companies in our State. I strongly urge the enactment of the state government EIR program in Michigan.

ABOUT CURRENT MOTOR COMPANY

Current Motor is a privately held electric vehicle (EV) development and manufacturing company. Current Motor designs its all-electric Super Scooters and in its Ann Arbor, Michigan headquarters and assembles them in Holt, Michigan, through a strategic partnership with the



award winning flex-manufacturer, Dakkota Integrated Systems. Current Motor has also developed Solar Charging Stations and assembles them in its Manchester, MI office.

Current Motor sells directly to fleets and targets top markets in the Americas. Current Motor's best-in-class electric Super Scooters have top speeds in excess of 65 mph and can travel up to 50 miles per charge. Current Motor's EV charging options range from standard 110/220 volt to J1772 adapters to custom Solar Charging Stations offering zero emissions, energy independent transportation solutions to meet a variety of organizational needs. Backed by BELLE Capital, the State of Michigan and other private equity investors, visit www.currentmotor.com for more information.

ABOUT BELLE CAPITAL USA, LP

BELLE Capital USA is an early stage fund that invests in high growth companies in underserved capital markets across the USA. We seek to provide a premier source of human and financial capital to the underserved market of women-led companies. Women-led or owned companies are the fastest growing sector of new company creation, and women now own nearly half of all privately held US businesses.

Studies by the Kauffman Foundation and leading universities have shown that venture-backed companies led by a woman typically produce higher revenues and launch on a third less capital than their male counterparts. Despite a record of greater capital efficiency and a lower failure rate than companies run by all men, women-led companies receive less than 15% of venture capital invested, and substantially less angel capital as well.

BELLE Capital USA's limited partners are successful women entrepreneurs and executives who have domain experience in our target markets, proven leadership and operating experience and extensive senior contacts at global companies. BELLE Capital USA's management and investment teams are augmented by world class Advisory Council members willing to assist our portfolio companies. BELLE Capital USA seeks to provide a trusted, learning environment for limited partners and founders alike, and to encourage more women to become early stage investors. Women own 50% of the wealth yet do less than 12% of early stage investing. If just 20% of women's capital currently sitting on the sidelines could be converted to investing in early stage companies, it would transform the early stage funding landscape in the USA. Visit www.bellevc.com for more information.

ABOUT LAUREN FLANAGAN, MANAGING DIRECTOR, BELLE CAPITAL USA & EXEC CHAIR, CURRENT MOTOR

A Michigan resident for several years, Lauren Flanagan hails from California and co-founded four software companies in the Bay Area. She has been an active angel investor for the past 9 years, investing in 36 early stage companies. She co-founded the Wisconsin-based Phenomenelle Angels Fund, which invested approximately \$10 million into 10 companies and syndicated another \$40 million for a total of nearly \$50 million invested. She is the Managing Partner of Michigan-based BELLE Capital USA, LP, and an early stage fund that invests in high growth companies in underserved capital markets across the USA. She also serves on the Board of Directors of non-profit, Springboard Enterprises, the leading venture catalyst for women-led companies. Since January 2000, Springboard has helped more than 550 women-led companies raise more than \$6 billion in capital. 11 of the companies have gone public. 33% have had a positive liquidity event. More than 80% of Springboard alumnae companies



are still in business as an independent or acquired entity. This is the best venture catalyst record on the planet.

In 2001 leading analyst firm, Frost and Sullivan, named Ms. Flanagan Software CEO of the Year. In 2010, BusinessWeek named Ms. Flanagan to its Top 25 Angels in Tech. In 2011, Springboard Enterprises honored Ms. Flanagan with its Northstar award for entrepreneurial advocacy. In 2013, Ms. Flanagan was honored to be among the Top 40 Women Over 40.